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Message Text

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ORIGIN EB-08

INFO OCT-01 ARA-10 ISO-00 DOE-11 SOE-02 COME-00 SS-15
TRSE-00 L-03 NSCE-00 CIAE-00 INR-10 NSAE-00
INRE-00 SP-02 /062 R

DRAFTED BY EB/ORF/FSE:J C TODD;L:S M SCHWEBEL
APPROVED BY ARA/ECP:S H ROGERS
EB/ORF/FSE - MR. HART
EB/IFD/OIA - DGRANT
DOE/IA:JSCHICK (INFO)
----------109706 040025Z /66
O 032234Z MAR 78
FM SECSTATE WASHDC
TO AMEMBASSY CARACAS IMMEDIATE

C O N F I D E N T I A L STATE 055461

E.O. 11652: GDS

TAGS: ENRG, EINV, VE

SUBJECT: OIL COMPANY PROBLEMS - TEXACO AND ARCO

REF: CARACAS 2008

1. TEXACO OFFICIALS VISITED DEPARTMENT MARCH 2 TO INFORM US THAT TEXACO HAS REFUSED TO ACCEPT ASSET EVALUATION AND AMOUNT SET FOR DEDUCTION FROM GUARANTEE FUND. THEY LEFT A LETTER SPELLING OUT THE GROUNDS FOR THEIR OBJECTIONS WHICH WILL FORM PART OF THEIR WRITTEN PROTEST TO GOV. ALTHOUGH TEXACO CLAIMS THAT AN EQUITABLE EVALUATION OF ITS ASSETS WOULD RESULT IN DEDUCTIONS AMOUNTING TO NO MORE THAN 8 PERCENT OF GUARANTEE FUND, FIRM IS WILLING TO ACQUIESCE IN OTHER DEDUCTIONS BRINGING TOTAL DEDUCTIONS TO ABOUT 27 OF AMOUNT DEPOSITED. ACCORDING TO TEXACO, GOV CLAIMS STARTED AT 62 PERCENT OF FUND AND HAVE NOW BEEN REDUCED TO
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ABOUT 36 PERCENT. CASH DIFFERENCE BETWEEN WHAT TEXACO IS WILLING TO ACCEPT AND WHAT GOV LEVEL OF DEDUCTIONS SET BY GOV IS ONLY $3 MILLION, BUT TEXACO INSISTS THAT MATTER OF PRINCIPLE IS INVOLVED. IT SEES CERTAIN PROPOSED DEDUCTIONS AS INDEFENSIBLE ON THEIR MERITS; AND IT RESENTS BEING "DISCRIMINATED AGAINST" BY DEDUCTIONS MARKEDLY HIGHER THAN AVERAGE.

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2. TEXACO REPRESENTATIVES EXPRESSED CONCERN TO DEPARTMENT THAT GOV MAY TAKE SOME ACTION INVOLVING TRANSFER OF MONIES HELD IN GUARANTEE FUND WITHOUT TEXACO'S CONCURRENCE, POSSIBLY AS SOON AS MARCH 3. SHOULD THIS OCCUR, TEXACO IS CONSIDERING LEGAL REMEDIES AVAILABLE. ALTHOUGH IT IS NOT OPTIMISTIC ABOUT FAVORABLE RESOLUTION THROUGH VENEZUELAN COURTS, IT WISHES TO EXHAUST LOCAL REMEDIES BEFORE CONSIDERING OTHER COURSES OF ACTION, INCLUDING REQUEST FOR ESPOUSAL OF CLAIM BY USG. TEXACO REPRESENTATIVES SAID THAT, IF TEXACO WERE LEGALLY TO CHALLENGE GOV DEDUCTIONS, IT MIGHT NOT CONFINE ITSELF TO THAT ISSUE BUT PUT IN QUESTION BASIC LEGALITY OF NATIONALIZATION.

3. TEXACO REPRESENTATIVES REQUESTED NO ACTION BY THE DEPARTMENT OR EMBASSY AT THIS TIME, EXCEPT FOR THE USG MAKING CLEAR IN SCHLESINGER-HERNANDEZ MEETING TEXACO'S UNHAPPINESS AT THESE DEVELOPMENTS, ITS UNWILLINGNESS TO ACCEPT THIS LEVEL OF DEDUCTIONS, AND OUR HOPE THAT AN AGREEMENT BETWEEN TEXACO AND THE GOV WILL BE REACHED.

4. ARCO INFORMED THE DEPT MARCH 2 THAT IT BELIEVES DEDUCTIONS SOUGHT IN RESPECT OF ITS SINCLAIR SUBSIDIARY, WHICH EXCEED SOME 50 PERCENT (HAVING BEEN REDUCED FROM MORE THAN 80 PERCENT) REMAIN "ABSURDLY HIGH." NEVERTHELESS, IT SEES NO HOPE OF SECURING FURTHER REDUCTIONS IN THE CONFIDENTIAL

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ABSENCE OF CONCERTED COMPANY AND USG PRESSURES, WHICH IT DOES NOT EXPECT. IT THUS INFORMED THE GOV THAT IT WOULD ACQUIESCE IN SUCH DEDUCTIONS PROVIDED THE GOV WOULD UNDERTAKE IMMEDIATELY TO PAY OUT ITS BALANCE IN GUARANTY FUND. HERNANDEZ STRONGLY REJECTED THIS PROPOSAL AND DEMANDED THAT ARCO'S LETTER CONTAINING IT BE WITHDRAWN, HINTING THAT OTHERWISE HIGHER DEDUCTIONS WOULD BE RESTORED. ARCO WITHDREW ITS LETTER, BUT DOES NOT RELINQUISH THIS REQUEST. IT HAS ASKED THAT THIS REQUEST BE MADE AT SCHLESINGER/HERNANDEZ MEETING. CHRISTOPHER

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Message Attributes

Automatic Decaptioning: X
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Current Classification: UNCLASSIFIED
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Control Number: n/a
Copy: SINGLE
Draft Date: 03 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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ISecure: 1
Legacy Key: link1978/newtext/t197803107/aaaadnhk.tel
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Retention: 0
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Subject: OIL COMPANY PROBLEMS - TEXACO AND ARCO
TAGS: ENRG, EINV, VE
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